investing in rural infrastructure, enhancing investment in industry, removing the inadequacies in infrastructure facilities and providing avenues of growth for the small scale industries.

Interest rate on farmers' loans

711. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether the State Government of Maharashtra and Governments of other drought-hit States have approached the Central Government to secure Central intervention to have the interest due from farmers waived or to have the loans and interest due thereon clubbed and turned into long-term loans with period of moratorium to help out the drought-hit farmers;

(b) if so, the details of such requests made by the different State Governments; and

(c) Government's reaction and response thereto (including that of the NABARD and the RBI)?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. The details of request made by the State Government of Maharashtra are as under:

(i) NABARD to permit the concerned banks to merge the interest due with the principal amount & convert the entire amount into fresh loans.

(ii) The NABARD may be directed to undertake refinancing to all banks on the basis of the converted principal amounts as a special case.

(iii) Conversion of the short term loans to medium term loans of five years with a moratorium for the first two years and repayment within the next three years.

(c) In addition to the extant standing RBI guidelines to banks for providing relief to farmers in areas affected by natural calamities, the Government made an announcement on 18th June, 2004 envisaging the following relief measures:

(i) Debt restructuring/rescheduling and fresh loans for distressed farmers.

(ii) One-Time Settlement (OTS) for small and marginal farmers.

(iii) Fresh credit to farmers whose earlier debts have been settled through compromise or write off.

(iv) Loans for farmers indebted to non-institutional lenders.

RBI have issued guidelines to Commercial Banks on 24th June, 2004 and National Bank for Agriculture & Rural Development (NABARD) to Rural Cooperatives & Regional Rural Banks on 29th June, 2004 to provide relief to farmers as per the announcement.

Intervention of RBI in bond market

712. SHRI S.M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the RBI has intervened to stop the relentless fall in bond prices in June, 2004;

(b) if so, the details in this regard;

(c) to what extent RBI would intervene in the bond market;

(d) whether it is healthy in the long run for the RBI to intervene sporadically and without any long-term commitment to the market; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The RBI intervenes in the Government securities market through Open Market Operations (OMO). In June, 2004, no OMO was caried out. However, treasury bills with face value of Rs. 7230 crore were issued under the Market Stabilization Scheme to absorb excess liquidity in the system.

(c) to (e) The RBI intervenes in the Government securities market, as and when the need arises. The decision to intervene and extent of intervention would depend on various factors, including liquidity condition, price and yield movements of the Government securities and RBI's long term objective of developing a stable and efficient Government securities market.